

BILL # SB 1095

TITLE: experimental schools; square footage exemption

SPONSOR: Mead

STATUS: As Introduced

REQUESTED BY: Senate

PREPARED BY: Jake Corey/Steve Schimpp

FISCAL YEAR

2003

2004

2005

EXPENDITURES/REVENUES

General Fund

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See Below

FISCAL ANALYSIS

Description

Through FY 2008, the bill would exclude from the School Facilities Board's (SFB) minimum adequacy square footage calculations the square footage of an experimental school that is established under the following requirements: 1) the experimental school is established by a common school district and a union high school district in conjunction with a community college district under an intergovernmental agreement for the construction and operation of the school, 2) the experimental school is located on former state trust land that is contiguous to an Indian reservation and municipal park land, 3) the applicable school districts annex the land where the experimental school is to be constructed, 4) the experimental school is constructed within 5 years of the sale of the state trust land, and 5) the experimental school enrollment does not exceed 1,200 elementary or high school pupils at any time. In addition, the bill would prohibit SFB from paying for the construction of an experimental school if any school district that would have qualified for a new school because of a square footage deficiency did not receive SFB approval for a new school.

Estimated Impact

The impact of the bill would depend on how language in the bill is interpreted. The bill states:

“The School Facilities Board shall not pay for the construction of an experimental school pursuant to this section if any school district that would have been eligible for a school because of a square footage deficiency under section 15-2011, subsection C, Arizona Revised Statutes, as determined by the School Facilities Board, did not receive approval for a school.”

Because of the double negative in the sentence, the Office of the Attorney General (AG) believes the bill may imply that SFB *shall* pay for construction of an experimental school if it meets the requirements outlined in the bill. Legislative Council believes that the language in the bill is unclear and does not have a definitive opinion regarding whether the bill would require SFB to build the experimental school.

If the bill *would* require SFB to pay for construction of an experimental school, it could have a potential maximum cost of \$14.2 million to \$18.0 million. In addition, if the facilities were owned by a school district, upon completion of construction SFB would annually distribute building renewal monies to the district to maintain the facilities. Pursuant to the building renewal formula (A.R.S. § 15-2031), in the first year following construction SFB would be required to distribute an estimated maximum of \$13,900 to the district for the experimental school facilities. This figure would likely grow in future years as the age of the facilities increased.

If the bill *would not* require SFB to pay for construction of an experimental school, there would be no construction cost. The SFB would still be required, however, to distribute building renewal monies for the facilities, provided the annexing district owned the facilities.

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Analysis

New School Construction

The State Land Department is currently attempting to sell a parcel of land in the Ahwatukee Foothills area that is not located within a school district and, therefore, is not eligible for new school construction funding from the state. This area of land (which we will call the “Foothills parcel”) potentially could become eligible for a state-funded school if it became annexed into the “applicable” school districts (probably Kyrene Elementary and Tempe Union). Annexation of the Foothills parcel, however, is considered unlikely under current law, partially because construction of a new school on that land potentially could make it more difficult for the affected school districts to qualify for state-funded new schools in other locations within their boundaries. This is because the new school construction funding formula in A.R.S. § 15-2041 takes into account existing school space for a school district *as a whole*, rather than for individual schools within a district. This potentially can disqualify a school district from receiving new school construction funding for its “overcrowded” schools if it has other schools that are considered “underutilized” relative to existing minimum adequacy standards (A.R.S. § 15-2011). Since a new school in the Foothills parcel potentially would be “underutilized” during its first few years of operation (until more homes were built in the region), “excess space” in that school potentially could disqualify the affected school districts from receiving new school construction funds for “overcrowded” areas that are within their current boundaries.

The bill seeks to address this situation by excluding from the School Facilities Board’s minimum adequacy square footage calculations the square footage of an “experimental school” that was built under certain circumstances. This would allow the affected school districts to annex the Foothills parcel without potentially jeopardizing future state funding for other new schools within their boundaries.

The bill potentially would result in the construction of a new public school/community college facility in the Foothills parcel. If so, and if SFB was required to pay for the construction of the facility, the bill could have an initial cost of up to \$17,970,000. This calculation is based on the cost to build an urban school for 1,200 high school students with a total district high school student population of greater than 1,800 students (1,200 students x 125 square feet x \$119.80 per square foot = \$17,970,000). The bill allows both K-8 and high school students to attend. As high school students are allocated greater square footage and a higher cost per square foot, we assume that the school would be composed of 1,200 high school students in order to calculate the maximum possible cost of the bill. In addition to any monies for construction of the school, if an annexing district owned the facilities, SFB would be required to annually distribute building renewal monies to the district to maintain the experimental school. The first year cost of distributing building renewal monies to a district for a school with 1,200 high school students would be approximately \$13,900.

The SFB estimates a maximum construction cost of \$14,175,200 based on a 1,200-student school composed of both K-8 and high school students.

In addition to the cost of constructing the experimental school, the bill could potentially result in further new school construction costs in the short-term if it accelerated the time frame in which the annexing district was to qualify for a new school from SFB. The reason for this is that the bill excludes from the formula only the square footage of the experimental school. It does not exclude the student population of the school. Thus, the experimental school’s student count would increase the annexing district’s overall student count, bringing the district closer to qualifying for a new school.

Basic State Aid

The bill potentially would reduce state costs for Basic State Aid by increasing the amount of “local share” funding that Foothills parcel residents would be required to provide under the K-12 equalization funding formula. This is because the “square footage exclusion” portion of the bill would only take effect if the Foothills parcel became annexed by school districts in the area. Annexation into neighboring school districts, in turn, would require residents of the Foothills parcel to pay the full Qualifying Tax Rate (QTR) (A.R.S. § 15-971.B) in support of public schools, rather than only the 50% of QTR rate that is required for areas *not* located within a school district by A.R.S. § 15-991.01. This would increase the amount of “local share” funding that would be available to help offset the state General Fund cost of Basic State Aid.

Local Government Impact

If the Foothills parcel was annexed into a neighboring district, property taxes in the annexed territory would increase as a result of paying the full QTR.